

## DEPARTMENT OF HEALTH SERVICES

714/744 P STREET

SACRAMENTO, CA 95814



April 1, 1987

TO: All County Welfare Directors  
All County Administrative Officers

Letter No.: 87- 13

SUBJECT: COUNTY WELFARE DEPARTMENT RESPONSIBILITIES ON  
OVERPAYMENT REPORTING

This is to remind the county welfare departments (CWD) of the action required to be taken when it appears there may be a potential Medi-Cal overpayment involving an AFDC cash assistance recipient or Medi-Cal only beneficiary.

The Department of Health Services (DHS) recently revised and issued Medi-Cal Eligibility Manual procedure articles dealing with reporting overpayments, fraud and fraud based overpayments (see Articles 16A, 16C and 16G attached). These articles explain the mandates contained in Title 22, California Administrative Code, Sections 50783 and 50791, and provide specific instructions for counties to follow.

It is essential that counties comply with these requirements since DHS investigators are unable to present a case to the district attorney without knowing the amount of the actual overpayment. The amount of the Medi-Cal overpayment identifies a particular fraud as either a misdemeanor or a felony, and can make a difference in whether an AFDC fraud case is prosecuted.

Procedures on reporting fraud and overpayments to DHS should be reviewed with all staff so that each worker is aware of the actions which are required.

If you have any questions please contact Florence Beller at (916) 323-5861, ATSS 8-473-5861.

Sincerely,

Original signed by

Attachments (3)

Frank S. Martucci, Chief  
Medi-Cal Eligibility Branchcc: Medi-Cal Liaisons  
Medi-Cal Program Consultants

Expiration Date: October 1, 1987

MEDI-CAL ELIGIBILITY MANUAL

16A -- INVESTIGATION SECTION OFFICES

A. District Offices

The following are the addresses of the state district investigation offices and the counties they serve. These offices are responsible for investigating potential Medi-Cal fraud cases for the counties they serve.

San Francisco District  
Investigation Office  
Department of Health Services  
939 Market Street, Room 204  
San Francisco, CA 94103  
(415) 557-2330

Alameda	Napa
Contra Costa	San Benito
Del Norte	San Francisco
Humboldt	San Mateo
Lake	Santa Clara
Marin	Santa Cruz
Mendocino	Solano
Monterey	Sonoma

Santa Ana District Investigation  
Office (Southern Region  
Headquarters  
Department of Health Services  
28 Civic Center, Suite 840  
Santa Ana, CA 92701  
(714) 558-4503  
1-800-822-6222

Orange, South Los Angeles

San Diego District Investigation  
Office  
Department of Health Services  
1350 Front Street, Room 4021  
San Diego, CA 92101  
(619) 237-7947

Imperial San Diego

Sacramento District Investigation  
Office (Northern Region Headquarters)  
Department of Health Services  
1250 Sutterville Road, Room 130  
Sacramento, CA 95822  
(916) 324-8447  
1-800-822-6223

Alpine	Modoc	Siskiyou
Amador	Nevada	Stanislaus
Butte	Placer	Sutter
Calaveras	Plumas	Tehama
Colusa	Sacramento	Trinity
El Dorado	San Joaquin	Toulumne
Glenn	Shasta	Yolo
Lassen	Sierra	Yuba

Los Angeles District Investigation  
Office  
Department of Health Services  
1449 West Temple Street, Room 225  
Los Angeles, CA 90026  
(213) 620-2335

Los Angeles Ventura

San Bernardino District Investigation  
Office  
Department of Health Services  
1840 Commcenter Circle  
San Bernardino, CA 92408 - 3430  
(714) 383-4667

San Bernardino Riverside

Commcenter

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Bakersfield District Investigation  
Office  
Department of Health Services  
4800 Stockdale Highway, Suite 312  
Bakersfield, CA 93309  
(805) 395-2705

Kern            San Luis Obispo  
Inyo            Santa Barbara  
Mono

Fresno District Office  
Department of Health Services  
3374 East Shields Avenue, Room E-1  
Fresno, CA 93726  
(209) 445-5516

Fresno            Mariposa  
Kings            Merced  
Madera            Tulare

NOTE: Some district and regional investigation offices overlap in areas of jurisdiction. Cooperation must be provided to field investigators regardless of what district they represent.

B. Toll-Free Telephone Complaint Line

The Department of Health Services has a special toll-free telephone complaint line for reporting Medi-Cal fraud or abuse. Telephone complaint lines are located in the Santa Ana and Sacramento District Offices of Audits and Investigations and are available to the general public, as well as to counties.

The toll-free system is staffed by investigators weekdays from 8:00 a.m. to 5:00 p.m. A bilingual staff member is available to take calls from the Spanish-speaking public. The toll-free number for Northern California is 1-800-822-6223 and for Southern California is 1-800-822-6222. Written complaints can also be sent to:

Department of Health Services  
Investigations-Northern Region  
Att: Case Development Unit  
1250 Sutterville Road, Room 130  
Sacramento, CA 95822

Department of Health Services  
Investigations-Southern Region  
Att: Case Development Unit  
28 Civic Center Plaza, Room 840  
Santa Ana, CA 92701

NOTE: The Northern Region extends from the Oregon border south to San Luis Obispo and Tulare Counties. The Southern Region includes Santa Barbara, Kern, Mono, Inyo, Ventura, Los Angeles, Imperial San Bernardino, San Diego, and Riverside Counties.

C. Reporting Potential Overpayments in Suspected Fraud Case

When the county suspects a potential overpayment has occurred as a result of fraud, the State should be informed. The Medi-Cal Complaint Report (MC 609) is to be completed in those cases where potential overpayment appears to be due to intentional misinformation or fraud,

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as defined in Section 50782. If the potential overpayment amount, as determined in accordance with Article 16G exceeds \$100, three copies of the Notice of Action -- Overpayment (MC 239E) are to be completed. The MC 609 and the three copies of the MC 239E are to be sent to:

Department of Health Services  
Investigations  
Att: Case Development Unit

Northern Region  
1250 Sutterville Road, Room 130  
Sacramento, CA 95822

Southern Region  
28 Civic Center Plaza, Room 840  
Santa Ana, CA 92701

State staff will obtain claims payment information to determine whether Medi-Cal program benefits have been paid for during the overpayment period and evaluate the case.

NOTE: For routine overpayment cases in which fraud is not suspected, send copies of the completed MC 239E to:

Department of Health Services  
General Collection Section  
1250 Sutterville Road, Room 206  
Sacramento, CA 95822

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### 16C -- MEDI-CAL FRAUD AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) CASH GRANT

County welfare departments or county district attorney offices investigate cases where a county has determined that an AFDC recipient has illegally received an AFDC cash grant through fraud and, by that fraudulent act, received Medi-Cal benefits to which he/she may not be entitled. Frequently, the amount of money lost to the Medi-Cal program on such AFDC fraud cases is substantially greater than the amount of the AFDC fraud. Thus, it is very important that the Department of Health Services (DHS) be informed when an AFDC fraud case is being initially developed. This article provides the county with instructions on when to report cases of potential Medi-Cal fraud to DHS in AFDC cash grant fraud cases.

In order to determine whether Medi-Cal fraud has occurred in conjunction with AFDC cash grant fraud, the county must first review the case to establish whether Medi-Cal eligibility existed for each family member under any Medi-Cal program.

#### Example 1

AFDC linkage exists and the family meets resource and other eligibility criteria. Therefore, the family is eligible under the AFDC-Medically Needy (AFDC-MN) program. The county must then establish whether the family would have had a share of cost for Medi-Cal program purposes. Income from the fraudulently obtained AFDC cash grant is not considered in computing the share of cost. If the family should have had a share of cost, then a fraud-related potential overpayment has occurred.

#### Example 2

AFDC linkage exists but the family's resources exceed the Medi-Cal resource standard. Therefore, Medi-Cal eligibility does not exist for any family member. The case must be reported to DHS as a fraud-related resource overpayment.

#### Example 3

The family is linked to AFDC, meets Medi-Cal eligibility criteria, and would not have a share of cost under the Medi-Cal program. For Medi-Cal purposes, there is no fraud case. No report should be submitted to DHS.

#### Example 4

The family has children but there is no AFDC linkage. Resource and other eligibility criteria are met. A potential fraud-related overpayment exists for the parents since they are not eligible for Medi-Cal benefits. Since

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the children are eligible for Medi-Cal under the Medically Indigent program, any potential fraud-related overpayment for the children would depend on whether a share of cost should have been met. Under these circumstances, the value of all Medi-Cal services received by the parents would be considered a fraudulent overpayment. For the children, the potential fraud-based overpayment amount would be limited to the unmet share of cost, if any. The county must clearly identify which family members are ineligible and which members, if any, had an understated share of cost.

Once it is established that an AFDC cash-based Medi-Cal fraud overpayment has occurred, the county must notify DHS as explained in Article 16A. In addition, the county should include copies of any Medi-Cal program pamphlets or information sheets, or a description of what Medi-Cal program information, if any, was provided to the individual during the AFDC intake process. In order to successfully prosecute Medi-Cal fraud in AFDC cash grant cases, DHS investigators must be able to prove that (1) the recipient applied for Medi-Cal and understood that Medi-Cal benefits were included with the cash grant, and (2) the recipient knew that false statements made at application for AFDC eligibility would also be used for Medi-Cal eligibility.

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### 16G -- OVERPAYMENT REPORTING/COLLECTIONS

This article provides information on reporting potential beneficiary overpayments, as well as reporting on Medi-Cal funds collected by the county.

#### A. Potential Beneficiary Overpayments

Potential beneficiary overpayments are defined in Section 50781. Generally, a potential overpayment occurs when a beneficiary fails to report, or fails to report within ten days, any change in income, income deduction for health insurance, resources, family composition, or other factor which affects eligibility or share of cost. If the beneficiary reports timely but the county cannot issue a ten-day Notice of Action to discontinue eligibility or increase the share of cost effective the first of the following month, no overpayment has occurred. In addition, if the county had time to act but failed to do so, county error exists but a potential overpayment does not.

When the potential overpayment is due to excess resources and the same resource(s), for example, savings or checking accounts, etc., has exceeded the resource limit for the entire period, the potential overpayment is determined by:

1. Computing the lowest excess balance in each month.
2. Selecting the highest amount determined in 1.
3. Reporting this amount as the potential resource overpayment.

NOTE: Under 1981 legislation, counties may contract with the Department of Health Services (DHS) to take over the Medi-Cal overpayment collection function. The following part of Article 16G does not apply to counties which have contracted with DHS.

Counties are to report a potential beneficiary overpayment to DHS when:

1. The beneficiary had unreported/untimely reported excess resources;
2. The beneficiary had unreported/untimely reported increased income and should have met/had an increased share of cost for one or more months;
3. The county or DHS issued Medi-Cal cards; and

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4. The potential overpayment amount for the entire period equals or exceeds \$100.

The county is to complete the Notice of Action/Overpayment (MC 239E) up to box 7, "Amount Paid by Medi-Cal". At that point, the county may either:

1. Request the local state district investigation office identified in Article 16A to provide a claims detail report for the period in question by:
  - a. Submitting a completed form MC 609 explaining why the information is needed, on whom, and for what period of time; or
  - b. Calling and giving all pertinent information to a supervisor.

Investigators will obtain claims detail reports and contact the county welfare department. Once the information is received, if the overpayment amount is over \$100, complete the MC 239E and send two copies to the beneficiary and two copies to DHS.

OR

2. Complete the MC 239E up to box 7, "Amount Paid by Medi-Cal", and submit three copies to DHS for completion.

If there is both an income and property-based overpayment, two separate MC 239Es may be used. If additional overpayment amounts are later identified that are subject to recovery, a second MC 239E must be prepared.

NOTE: If the potential resource or income overpayment appears to have been caused by fraud or willful misrepresentation, follow the reporting procedures outlined in Article 16A.

Completed MC 239E notices are to be sent to:

Department of Health Services  
General Collection Section  
1250 Sutterville Road, Room 206  
Sacramento, CA 95822  
(916) 322-2280  
1-800-238-3377

**B. Reporting Collections**

The county shall submit a monthly report concerning any Medi-Cal funds collected by the county. The funds may be due from beneficiaries

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because of overpayments, paternity, or other civil judgments; conditions of probation, other health insurance settlements, or from other similar actions; or from providers of service due to audit recoveries, civil judgments, and similar sources.

The report shall include:

1. Beneficiary name and Medi-Cal identification number;
2. County investigation case number (if any); and
3. Total amount recovered and transmitted to DHS.

Submit the report and the total amount recovered to:

Department of Health Services  
General Collection Section  
1250 Sutterville Road, Room 206  
Sacramento, CA 95822